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SIPDIS

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR AMANDA HILLIGAS
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

¶E. O. 12958: N/A

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SUBJECT: Industry Wants New Tripartite Dialogue

¶1. Summary: Confederation of Zimbabwe Industries (CZI) President Anthony Mandiwanza told us he is lobbying the GOZ to restart the Tripartite Negotiating Forum (TNF) between government, industry and labor. Mandiwanza acknowledged that CZI is unlikely to oppose macroeconomic distortions flowing from unrealistic exchange and interest rates since importing firms belonging to the organization are enjoying cheap access to forex and credit. More encouragingly, CZI will continue to push for more rational fiscal policy and an end to the GOZ's 25 withholding on export proceeds. End Summary.

¶2. CZI President Mandiwanza and acting CEO Farai Zizhou called on Amb Sullivan on Feb 12 to exchange ideas about Zimbabwe's sinking economy. Mandiwanza expressed interest in the African Growth and Opportunity Act (AGOA), Millennium Challenge Account (MCA) and U.S. policies in the World Trade Organization (WTO). (Note: Although Zimbabwe does not qualify for AGOA, there is growing industry interest in the policy. Post plans to address this with a series of seminars about AGOA in March.)

¶3. Turning to Zimbabwean policy, Mandiwanza made the following points:

- CZI wants to reengage government and the Zimbabwe Congress of Trade Unions (ZCTU) in a new round of Tripartite talks. They broke down early last year after the exit of ZCTU, which believed negotiations were failing to address workers' diminishing buying power.

- CZI continues to support Reserve Bank (RBZ) Governor Gideon Gono's more innovative monetary policy. However, Mandiwanza says he is lobbying government to address fiscal policy as well. The ever-optimistic Mandiwanza believes the "environment has never been more positive or more open to change." CZI will continue to press the GOZ to forsake its withholding of 25 percent of export proceeds.

- Mandiwanza conceded that Gono's policies are opening a new set of macroeconomic distortions. However, he said CZI could not oppose sub-market exchange and lending rates since many member firms benefit from these initiatives. Mandiwanza praised the RBZ's support for banks' dispersing of Z\$878 billion (US\$231 million) through low interest loans to the private sector. Yet since these loans carry low 30 percent interest rates (versus 100-200 percent at market rates), the CZI chief admitted that the "temptation for speculation is extremely high." On the other hand, he recognized that pension funds - the source for many loans - are depleting assets of their participants.

- Mandiwanza agreed that farmers resettled under the GOZ's fast-track land reform will have to be granted some form of title-deed or land tenure. He considers it a positive signal that the recent cabinet reshuffle appears to transfer responsibility for land reform from hardline Agriculture Minister Joseph Made to John Nkomo.

Comment

¶4. Mandiwanza is a dynamic, persuasive face for Zimbabwean industry. He is the CEO of Zimbabwe's most, almost only, successful parastatal, Dairiboard. At the same time, he is hardly an independent player, since he has deep sentimental and financial ties to the ruling ZANU-PF. He has partnered with Mashonaland East Party Chairman Ray Kaukonde, State Security Minister Nicolas Goche, Minister Without Portfolio Eliot Manyika and businessman Kenneth Musonhi to form Takepart Industries, a consortium that has gained a stake in many businesses. (Acting CEO Zizhou, who accompanied Mandiwanza and oversees the day-to-day operations of CZI, is a large

beneficiary of land reform.) Thus we do not expect Mandiwanza and CZI to attack the GOZ's counterintuitive economic policies as fervently as a truly independent industry rep. Our hope is that a significant number of ZANU-PF heavyweights like Gono and Mandiwanza are, through their own business experience, developing a taste for a more rational commercial environment.

Sullivan